

Message Text

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45

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 EB-11 OMB-01 CIEP-02 TRSE-00

STR-08 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15 USIA-15

ACDA-19 IO-13 COME-00 MC-02 DOTE-00 DRC-01 NIC-01

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R 190945Z SEP 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8230

INFO AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TOKYO

USLO PEKING

C O N F I D E N T I A L HONG KONG 9410

EO 11652: GDS

TAGS: ETRD CH FR

SUBJ: ECONOMIC IMPLICATIONS OF THE POMPIDOU VISIT TO
CHINA

REF: A. HK 9275 B. HK 9294

SUMMARY: WHILE THE JOINT COMMUNIQUE ISSUED AT THE END OF
FRENCH PRESIDENT POMPIDOU'S VISIT TO CHINA EXPRESSED GRATIFI-
CATION AT THE PROGRESS MADE IN "ECONOMIC EXCHANGE AND CONTRACTS
IN THE FIELD OF INDUSTRIAL TECHNOLOGY," COMMENTS MADE BY
POMPIDOU SUGGEST SOME CONTINUED FRENCH DISSATISFACTION WITH
THE STATE OF COMMERCIAL RELATIONS WITH THE PRC. THE POSITIVE
TONE OF THE COMMUNIQUE AND RECENT SALES SUGGEST, HOWEVER, THAT
FRENCH EXPORTS SHOULD INCREASE THIS YEAR. END SUMMARY

1. REMARKS MADE BY FRENCH PRESIDENT POMPIDOU DURING
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HIS VISIT TO CHINA SEPTEMBER 11-17 (REF A) AND THE SINO-

FRENCH COMMUNIQUE (REF B) GIVE SOME INTERESTING INSIGHTS INTO THE STATE OF BILATERAL ECONOMIC RELATIONS AND THEIR FUTURE PROSPECTS. WHILE THE COMMUNIQUE EXPRESSED GRATIFICATION AT THE PROGRESS MADE IN "ECONOMIC EXCHANGE AND CONTACTS IN THE FIELD INDUSTRIAL TECHNOLOGY," COMMENTS MADE BY POMPIDOU DURING THE VISIT SUGGEST SOME CONTINUED FRENCH DISSATISFACTION WITH THE STATE OF COMMERCIAL RELATIONS WITH THE PRC. IN A BANQUET TOAST, POMPIDOU DESCRIBED COMMERCIAL RELATIONS BETWEEN THE TWO COUNTRIES AS "SHORT OF ATTAINING A SATISFACTORY LEVEL"(NCNA SEPT 14). LATER HE TOLD THE PRESS THAT "FRENCH BUSINESSMEN SHOULD COME TO CHINA WITH THE DESIRE TO SUCCEED AND NOT JUST TO LOOK AT THE GREAT WALL"(AFP SEPT 14). BILATERAL TRADE, WHICH HAS NEVER SATISFIED FRENCH EXPECTATIONS, DECLINED SIGNIFICANTLY IN 1972 WHEN THE FRENCH RAN A \$46.8 MILLION DEFICIT WITH CHINA (HONG KONG A-249).

2. THE POSITIVE TONE OF THE COMMUNIQUE AND RECENT SALES SUGGEST, HOWEVER, THAT FRENCH EXPORTS SHOULD INCREASE THIS YEAR. SPECIFICALLY, THE COMMUNIQUE MENTIONS "DEVELOPMENTS" IN THE FIELDS OF "PETROCHEMICALS, AVIATION, MACHINERY AND ELECTRICAL INDUSTRY," AREAS IN WHICH FRANCE HAS MADE SIGNIFICANT GAINS THIS YEAR. IN MAY THE PRC SIGNED A CONTRACT WITH THE FIRM SOCIETE POUR L'EQUIPMENT DES INDUSTRIES CHIMIQUES (SPEICHIM) FOR A \$59.5 MILLION VINYL ACETATE AND METHANOL COMPLEX. ADDITIONAL PLANTS FOR THIS OR SEPARATE COMPLEXES MAY HAVE BEEN DISCUSSED DURING THE VISIT. IN AVIATION, PEKING STILL HOLDS OPTIONS TO BUY THREE CONCORDE AIRCRAFT. ALTHOUGH POMPIDOU ADMITTED THAT THE CONCORDE DEAL "RAISES SOME PROBLEMS," HE SAID HE WAS "FAR FROM DISPAIRING" (AFP PEKING SEPT 14.) THE FRENCH ARE ALSO INVOLVED IN NEGOTIATIONS FOR THE SALE OF AEROSPATIAL HELICOPTERS TO CHINA (STATE 183448). IN MACHINERY (WHICH OFTEN DESIGNATES A GENERAL CATEGORY INCLUDING VEHICLES) UNIC (FAIR-FRANCE) COMPLETED A SALE OF 1,000 HEAVY DUTY TRUCKS WORTH \$28.6 MILLION IN JULY. IN LATE 1972/EARLY 1973 PRC REACHED AGREEMENT ON TWO 75 MW HYDROELECTRIC TURBOGENERATORS WORTH \$12 MILLION. THESE SALES, COUPLED WITH POMPIDOU'S STATEMENT TO THE PRESS THAT FRENCH BUSINESSMEN MUST "LOOK BEYOND SALES TO COOPERATION" CONFIDENTIAL

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(AFP SEPT 14) SUGGEST BOTH CHINESE INTEREST IN FURTHER PURCHASES IN THESE AREAS AND THE POSSIBILITY OF MORE FRENCH TECHNICAL HELP (INCLUDING PERHAPS MORE TECHNICIANS ON SITE IN THE PRC).

3. THE COMMUNIQUE STATED THAT BOTH SIDES AND "DECIDED TO SIGN" A SHIPPING AGREEMENT AND TO STRENGTHEN COOPERATION IN CIVIL AVIATION. THE FACT THE DOCUMENT WAS NOT ACTUALLY

SIGNED MAY INDICATE THAT SOME PROBLEMS REMAIN TO BE RESOLVED. ACCORDING TO NCNA, PREVIOUS DISCUSSIONS ON A MARITIME AND NAVIGATION AGREEMENT TOOK PLACE IN JULY DURING THE PEKING VISIT OF A FRENCH MARITIME DELEGATION (HK 8028). SINCE AIR FRANCE INITIATED SERVICE TO PEKING SEPT 6 FOLLOWING AGREEMENT REACHED DURING THE JUNE VISIT OF A FRENCH AVIATION DELEGATION (HK 8028, HK 9021), THE REFERENCE TO CIVIL AVIATION MAY INDICATE THAT AGREEMENT HAS ALSO BEEN REACHED ON A CAAC ROUTE TO PARIS (AND BEYOND?).

4. DURING THE VISIT POMPIDOU ANNOUNCED THAT FRANCE WOULD STAGE AN INDUSTRIAL EXHIBITION IN CHINA NEXT YEAR. THIS WOULD RECIPROCATATE FOR A PRC EXHIBITION HELD IN PARIS IN APRIL 1972, WHICH WAS THE FIRST HELD OUTSIDE THE PRC SINCE THE CULTURAL REVOLUTION.
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